

LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

June 30, 2006



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## LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT

### OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b> (Before September, 2005 Election)		
Judson Vos	President	2006
Myrna Ver Ploeg	Vice-President	2005
Steve Russell	Board Member	2005
Glen De Zwarte	Board Member	2005
Gelene Evans	Board Member	2006

### **Board of Education** (After September, 2005 Election)

Steven Russell	President	2007
Daniel Cross	Vice President	2008
Glen De Zwarte	Board Member	2006
Gelene Evans	Board Member	2006*
Judson Vos	Board Member	2006
John Terpstra	Board Member	2008

\* Resigned Feb. 2006

### **School Officials**

Duane Willhite	Superintendent	2006
Lori Zylstra/Karla Boot	Business Manager/District Secretary	2006
Kyle Terpstra	District Treasurer	2006
Brian Gruhn	Attorney	2006



### Independent Auditor's Report

To the Board of Education  
Lynnvile-Sully Community School District  
Lynnvile-Sully, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lynnvile-Sully Community School District, Sully, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lynnvile-Sully Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 11, 2006 on our consideration of Lynnvile-Sully Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 11 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lynnvile-Sully Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Van Maanen & Associates, P.C.*

Van Maanen & Associates, P.C.  
Certified Public Accountants

October 11, 2006

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Lynnville-Sully Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,739,342 in fiscal 2005 to \$3,885,057 in fiscal 2006, while General Fund expenditures increased from \$3,755,484 in fiscal 2005 to \$3,857,080 in fiscal 2006. The District's General Fund balance increased from \$621,185 in fiscal 2005 to \$653,172 in fiscal 2006, a 5.1% increase.
- The increase in General Fund revenues was attributable to an increase in property tax. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits, increased fuel costs and increased construction costs.
- An increase in interest rates during the past fiscal year resulted in interest earnings in the General Fund alone increasing from \$13,709 in fiscal 2005 to \$22,038 in fiscal 2006.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Lynnville-Sully Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Lynnville-Sully Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Lynnville-Sully Community School District acts solely as an agent or custodian for the benefit of those outside of the district.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

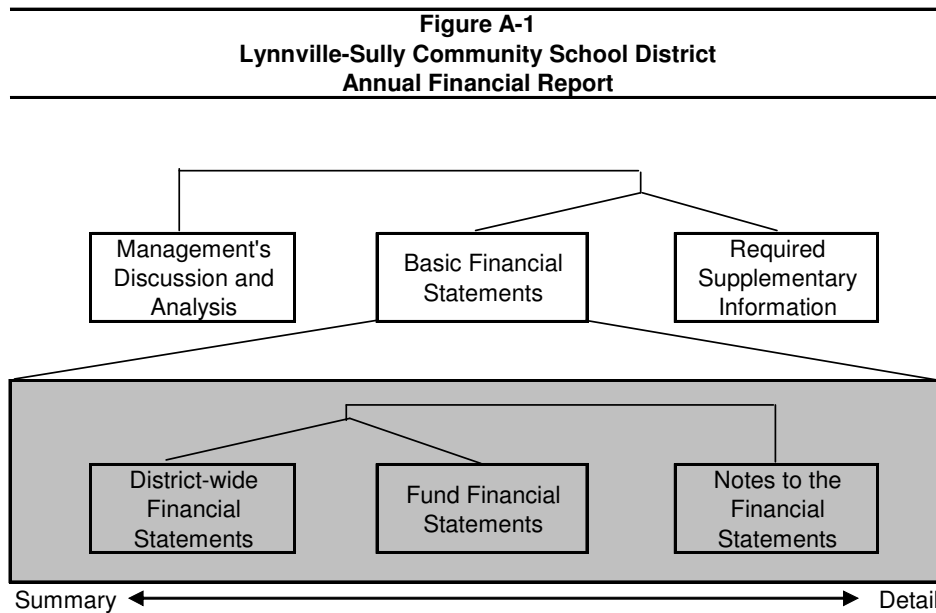


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the District-Wide and Fund Financial Statements</b>			
	District-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> <li>Statement of net assets</li> <li>Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>Balance sheet</li> <li>Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>Statement of revenues, expenses and changes in net assets</li> <li>Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

<b>Figure A-3</b> <b>Condensed Statement of Net Assets</b> <b>(Expressed in Thousands)</b>								
	Governmental Activities		Business type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2006	2005	2006	2005	2006	2005	2005-2006	
Current and other assets	\$ 3,950	4,342	50	35	4,000	4,377	-8.6%	
Capital assets	4,868	4,865	16	19	4,884	4,884	0.0%	
Total assets	8,818	9,207	66	54	8,884	9,261	-4.1%	
Long-term liabilities	2,637	2,715	-	-	2,637	2,715	-2.9%	
Other liabilities	3,174	3,199	2	5	3,176	3,204	-0.9%	
Total liabilities	5,811	5,914	2	5	5,813	5,919	-1.8%	
Net assets:								
Invested in capital assets, net of related debt	2,273	2,400	16	19	2,289	2,419	-5.4%	
Restricted	157	272	-	-	157	272	-42.3%	
Unrestricted	577	621	48	30	625	651	-4.0%	
Total net assets	\$ 3,007	3,293	64	49	3,071	3,342	-8.1%	

The District's combined net assets decreased by nearly 8.2%, or approximately \$271,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restrict net assets decreased approximately \$115,000, or 42% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$26,000 or 4%.

<b>Figure A-4</b> <b>Changes in Net Assets</b> <b>(Expressed in Thousands)</b>						
	Governmental Activities		Business type Activities		Total District	
	Year ended June 30,		Year ended June 30,		Year ended June 30,	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for service	\$ 599	531	168	154	767	685
Operating grants, contributions and restricted interest	464	330	61	55	525	385
Capital grants, contributions and restricted interest	100	-	-	-	100	-
General revenues:						
Property tax	1,713	1,601	-	-	1,713	1,601
Local option sales and service tax	234	152	-	-	234	152
Unrestricted state grants	1,695	1,996	-	-	1,695	1,996
Unrestricted investment earnings	33	21	-	-	33	21
Other	283	33	-	-	283	33
Total revenues	5,121	4,664	229	209	5,350	4,873
Program expenses:						
Governmental activities:						
Instruction	2,863	2,845	-	-	2,863	2,845
Support services	1,332	1,162	-	-	1,332	1,162
Non-instructional programs	1	1	214	197	215	198
Other expenses	1,211	421	-	-	1,211	421
Total expenses	5,407	4,429	214	197	5,621	4,626
Change in net assets	\$ (286)	235	15	12	(271)	247

Figure A-4 shows the change in net assets for the year ended June 30, 2006:

In fiscal 2006, property tax and unrestricted state grants account for 67% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 100% of the revenue from business type activities. The District's expenses primarily relate to instruction and support services, which account for 76% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$5,120,681 and expenses were \$5,406,520.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

<b>Figure A-5</b> <b>Total and Net Cost of Governmental Activities</b> <b>(Expressed in Thousands)</b>		
	Total Cost of Services	Net Cost of Services
Instruction	\$ 2,863	1,982
Support services	1,332	1,298
Non-instructional programs	1	1
Other expenses	1,211	963
Totals	\$ 5,407	4,244

- The cost financed by users of the District's programs was \$4,244,079.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$463,657
- The net cost of governmental activities was financed with \$1,946,651 in property and other taxes and \$1,694,774 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities were \$228,952 and expenses were \$213,847. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Lynnville-Sully Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$764,760, down from last year's ending fund balances of \$1,142,355

### **Governmental Fund Highlights**

- The General Fund balance increased from \$621,185 to \$653,172 due in part to increased interest income.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$88,980 in fiscal 2005 to a deficit of \$12,991 in fiscal 2006.
- The Capital Projects Fund balance decreased from \$249,482 in fiscal 2005 to a deficit of \$40,383 in fiscal 2006 due to increased construction costs.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$48,764 at June 30, 2005 to \$63,869 at June 30, 2006, representing an increase of approximately 30%.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Lynnville-Sully Community School District amended its annual budget one time to reflect additional expenditures associated with increased construction costs on the Diamond Trail Fitness Center and increased fuel costs for transportation.

The District's receipts were \$135,754 higher than budgeted, a variance of 2%. The most significant variance resulted from the District receiving more in Federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund and support services. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2006, the District had invested \$4.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$202,789.

The original cost of the District's capital assets was \$8.1 million.

The largest change in capital asset activity during the year occurred in the Furniture and equipment category. The District's furniture and equipment totaled \$1,383,505 at June 30, 2006, compared to \$1,372,587 at June 30, 2005.

<b>Figure A-6</b>							
<b>Capital Assets, net of Depreciation</b>							
<b>(Expressed in Thousands)</b>							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
Land	\$ 116	116	-	-	116	116	0.0%
Buildings	4,322	4,455	-	-	4,322	4,455	-3.0%
Improvements other than buildings	70	75	-	-	70	75	-6.7%
Furniture and equipment	360	219	16	19	376	238	58.0%
Totals	\$ 4,868	4,865	16	19	4,884	4,884	0.0%

### Long-Term Debt

At June 30, 2006, the District had \$2,637,225 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 2.9% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

<b>Figure A-7</b>			
<b>Outstanding Long-Term Obligations</b>			
<b>(Expressed in Thousands)</b>			
	Total District		Total Change
	June 30,		June 30,
	2006	2005	2005-2006
General obligation bonds	\$ 2,595	2,715	-4.4%
Early retirement	42	-	
Totals	\$ 2,637	2,715	-2.9%

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Karla Boot, District Secretary/Treasurer and Business Manager, Lynnville-Sully Community School District, Sully, Iowa, 50251.

## **Basic Financial Statements**

LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
June 30, 2006

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents:			
ISCAP	\$ 1,157,409	-	1,157,409
Other	1,046,907	46,136	1,093,043
Receivables:			
Property tax:			
Delinquent	14,286	-	14,286
Succeeding year	1,587,835	-	1,587,835
Accounts	3,237	-	3,237
Accrued interest:			
ISCAP	12,734	-	12,734
Due from other governments	127,190	-	127,190
Inventories	-	3,805	3,805
Capital assets, net of accumulated depreciation	4,868,081	15,792	4,883,873
<b>Total assets</b>	<b>8,817,679</b>	<b>65,733</b>	<b>8,883,412</b>
<b>Liabilities</b>			
Accounts payable	78,097	-	78,097
Salaries and benefits payable	317,870	1,864	319,734
Accrued interest payable	9,774	-	9,774
Deferred revenue:			
Succeeding year property tax	1,587,835	-	1,587,835
ISCAP warrants payable	1,156,000	-	1,156,000
ISCAP accrued interest payable	11,942	-	11,942
ISCAP unamortized premium	7,954	-	7,954
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	125,000	-	125,000
Compensated absences	4,027	-	4,027
Early retirement	21,113	-	21,113
Portion due after one year:			
General obligation bonds payable	2,470,000	-	2,470,000
Early retirement	21,112	-	21,112
<b>Total liabilities</b>	<b>5,810,724</b>	<b>1,864</b>	<b>5,812,588</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,273,081	15,792	2,288,873
Restricted for:			
Management levy	54,300	-	54,300
Other special revenue purposes	102,711	-	102,711
Unrestricted	576,863	48,077	624,940
<b>Total net assets</b>	<b>\$ 3,006,955</b>	<b>63,869</b>	<b>3,070,824</b>

See notes to financial statements.

LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year ended June 30, 2006

Functions/Programs	Program Revenues			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,643,846	287,194	189,986	-
Special instruction	790,313	46,875	82,503	-
Other instruction	428,530	264,715	9,755	-
	2,862,689	598,784	282,244	-
Support Service:				
Student services	93,623	-	-	-
Instructional staff services	144,367	-	-	-
Administration services	493,911	-	-	-
Operating and maintenance of plant services	251,517	-	-	-
Transportation services	348,764	-	33,575	-
	1,332,182	-	33,575	-
Non-instructional programs	728	-	-	-
Other expenditures:				
Facilities acquisition	930,616	-	-	100,000
Long-term debt interest	132,467	-	-	-
AEA flowthrough	147,838	-	147,838	-
	1,210,921	-	147,838	100,000
Total governmental activities	5,406,520	598,784	463,657	100,000
Business type activities:				
Non-instructional programs:				
Nutrition services	213,847	167,470	61,231	-
	213,847	167,470	61,231	-
Total primary government	\$ 5,620,367	766,254	524,888	100,000



Exhibit B

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
Governmental Activities	Business type Activities	Total
(1,166,666)	-	(1,166,666)
(660,935)	-	(660,935)
(154,060)	-	(154,060)
(1,981,661)	-	(1,981,661)
(93,623)	-	(93,623)
(144,367)	-	(144,367)
(493,911)	-	(493,911)
(251,517)	-	(251,517)
(315,189)	-	(315,189)
(1,298,607)	-	(1,298,607)
(728)	-	(728)
(830,616)	-	(830,616)
(132,467)	-	(132,467)
-	-	-
(963,083)	-	(963,083)
(4,244,079)	-	(4,244,079)
-	14,854	14,854
-	14,854	14,854
(4,244,079)	14,854	(4,229,225)

Exhibit B

LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year ended June 30, 2006

	Program Revenues			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Totals continued from previous pages	\$ 5,620,367	766,254	524,888	100,000
General Revenues:				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Gifts to Lynnville-Sully Community School District				
Gain on sale of assets				
Total general revenues				
Change in net assets				
Net assets beginning of year, as restated				
Net assets end of year				
See notes to financial statements.				

Exhibit B

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
Governmental Activities	Business type Activities	Total
(4,244,079)	14,854	(4,229,225)
1,432,323	-	1,432,323
141,285	-	141,285
139,125	-	139,125
233,918	-	233,918
1,694,774	-	1,694,774
33,465	251	33,716
3,105	-	3,105
278,905	-	278,905
1,340	-	1,340
3,958,240	251	3,958,491
(285,839)	15,105	(270,734)
3,292,794	48,764	3,341,558
\$ 3,006,955	63,869	3,070,824

LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2006

	General	Debt Service	Capital Projects	Non-major Special Revenue	Total
<b>Assets</b>					
Cash and pooled investments:					
ISCAP	\$ 1,157,409	-	-	-	1,157,409
Other	766,497	6,657	83,962	189,791	1,046,907
Receivables:					
Property tax:					
Current year delinquent	11,503	1,294	-	1,489	14,286
Succeeding year	1,296,181	142,292	-	149,362	1,587,835
Accounts	-	-	-	3,237	3,237
Accrued interest:					
ISCAP	12,734	-	-	-	12,734
Due from other funds	120,000	-	-	-	120,000
Due from other governments	127,190	-	-	-	127,190
<b>Total assets</b>	<b>\$ 3,491,514</b>	<b>150,243</b>	<b>83,962</b>	<b>343,879</b>	<b>4,069,598</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 44,368	-	4,345	29,384	78,097
Salaries and benefits payable	317,870	-	-	-	317,870
Due to other funds	-	-	120,000	-	120,000
Early retirement payable	-	-	-	21,113	21,113
ISCAP warrants payable	1,156,000	-	-	-	1,156,000
ISCAP accrued interest payable	11,942	-	-	-	11,942
ISCAP unamortized premium	7,954	-	-	-	7,954
Compensated absences	4,027	-	-	-	4,027
Deferred revenue:					
Succeeding year property tax	1,296,181	142,292	-	149,362	1,587,835
Total liabilities	2,838,342	142,292	124,345	199,859	3,304,838
Fund balances:					
Unreserved	653,172	-	(40,383)	144,020	756,809
Total fund balances	653,172	7,951	(40,383)	144,020	764,760
<b>Total liabilities and fund balances</b>	<b>\$ 3,491,514</b>	<b>150,243</b>	<b>83,962</b>	<b>343,879</b>	<b>4,069,598</b>

See notes to financial statements.

LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2006

<b>Total fund balances of governmental funds (Exhibit C)</b>	\$ 764,760
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***Amounts reported for governmental activities in the statement of net assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,868,081
--	-----------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(9,774)
--	---------

Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,616,112)</u>
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<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>\$ 3,006,955</u></u>
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See notes to financial statements.

LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year ended June 30, 2006

	General	Debt Service	Capital Projects	Non-major Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 1,367,780	141,285	233,918	203,668	1,946,651
Tuition	270,715	-	-	-	270,715
Other	87,505	1,294	255,548	298,417	642,764
State sources	2,045,760	72	100,000	82	2,145,914
Federal sources	113,297	-	-	-	113,297
Total revenues	3,885,057	142,651	589,466	502,167	5,119,341
Expenditures:					
Current:					
Instruction:					
Regular instruction	1,632,911	-	-	75,181	1,708,092
Special instruction	766,259	-	-	-	766,259
Other instruction	116,715	-	-	284,554	401,269
	2,515,885	-	-	359,735	2,875,620
Support services:					
Student services	75,433	-	-	551	75,984
Instructional staff services	110,134	-	-	558	110,692
Administration services	486,900	-	-	3,149	490,049
Operation and maintenance of plant services	276,308	-	-	37,641	313,949
Transportation services	244,582	-	-	68,195	312,777
	1,193,357	-	-	110,094	1,303,451
Non-instructional programs	-	-	-	728	728
Other expenditures:					
Facilities acquisition	-	-	779,330	151,286	930,616
Long-term debt:					
Principal	-	120,000	-	-	120,000
Interest and fiscal charges	-	122,693	-	-	122,693
AEA flowthrough	147,838	-	-	-	147,838
	147,838	242,693	779,330	151,286	1,321,147
Total expenditures	3,857,080	242,693	779,330	621,843	5,500,946
Excess (deficiency) of revenues over (under) expenditures	27,977	(100,042)	(189,864)	(119,676)	(381,605)
Other financing sources (uses):					
Operating transfers in (out)	-	100,000	(100,000)	-	-
Sale of equipment	4,010	-	-	-	4,010
Total other financing sources (uses)	4,010	100,000	(100,000)	-	4,010
Net change in fund balances	31,987	(42)	(289,864)	(119,676)	(377,595)
Fund balances beginning of year	621,185	7,993	249,481	263,696	1,142,355
Fund balances end of year	\$ 653,172	7,951	(40,383)	144,020	764,760

See notes to financial statements.

LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 Year ended June 30, 2006

**Net change in fund balances - total governmental funds (Exhibit E)** \$ (377,595)

***Amounts reported for governmental activities in the  
 statement of activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 208,101	
Less loss on retirement of capital assets	(2,670)	
Depreciation expense	(202,789)	2,642

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

120,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(9,774)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement		(21,112)
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**Change in net assets of governmental activities (Exhibit B)**

\$ (285,839)

See notes to financial statements.

LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
June 30, 2006

	<u>School Nutrition</u>
<b>Assets</b>	
Current assets:	
Cash and investments	\$ 46,136
Inventories	<u>3,805</u>
Total current assets	<u>49,941</u>
Non-current assets:	
Property and equipment:	
Machinery and equipment	159,200
Accumulated depreciation	<u>(143,408)</u>
Total non-current assets	<u>15,792</u>
<b>Total assets</b>	<u>65,733</u>
 <b>Liabilities</b>	
Current liabilities:	
Salaries and benefits payable	<u>1,864</u>
<b>Total current liabilities</b>	<u>1,864</u>
 <b>Net Assets</b>	
Invested in capital assets, net of related debt	15,792
Unrestricted	<u>48,077</u>
 <b>Total net assets</b>	<u><u>\$ 63,869</u></u>

See notes to financial statements.



LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 PROPRIETARY FUND  
 Year ended June 30, 2006

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	<u>\$ 167,470</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Depreciation	2,991
Other	210,856
Total operating expenses	<u>213,847</u>
Operating loss	<u>(46,377)</u>
Non-operating revenue:	
Local sources	251
State sources	2,793
Federal sources	58,438
Total non-operating revenue	<u>61,482</u>
Change in net assets	15,105
Net assets beginning of year, as restated	<u>48,764</u>
Net assets end of year	<u><u>\$ 63,869</u></u>

See notes to financial statements.

LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year ended June 30, 2006

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 164,749
Cash payments to employees for services	(112,588)
Cash payments to suppliers for goods or services	(83,554)
Net cash used in operating activities	<u>(31,393)</u>
Cash flows from non-capital financing activities:	
State grants received	2,793
Federal grants received	41,966
Net cash provided by non-capital financing activities	<u>44,759</u>
Cash flows from investing activities:	
Interest on investments	<u>268</u>
Net increase in cash and cash equivalents	13,634
Cash and cash equivalents at beginning of year	<u>32,502</u>
Cash and cash equivalents at end of year	<u><u>\$ 46,136</u></u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (46,377)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	16,472
Depreciation	2,991
(Increase) in inventories	(1,758)
(Decrease) in salaries and benefits payable	(2,721)
Net cash used by operating activities	<u><u>\$ (31,393)</u></u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>	
Current assets:	
Cash	\$ 46,136
Cash and cash equivalents at year end	<u><u>\$ 46,136</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2006, the District received federal commodities valued at \$16,472.

See notes to financial statements.

# LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006

### (1) Summary of Significant Accounting Policies

Lynnvile-Sully Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Lynnvile, Sully, Searsboro and Killduff, Iowa and the predominate agricultural territory in Jasper, Poweshiek and Mahaska counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Lynnvile-Sully Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Lynnvile-Sully Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Jasper County Assessor's Conference Board.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

# LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

# LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 3,500
Buildings	3,500
Improvements other than buildings	3,500
Furniture and equipment	3,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the support services and other expenditures functional areas.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
General	Capital Projects	\$ 120,000

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 100,000

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(5) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2006 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investment	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2005-06B	1/26/2006	1/26/2007	\$ 620,157	12,567	618,000	11,810
2006-07A	6/28/2006	6/28/2007	537,252	167	538,000	132
Total			\$ 1,157,409	12,734	1,156,000	11,942

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount.



LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

The warrants bear interest and available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2005-06B	4.50%	4.772%
2006-07A	4.50%	5.676%

LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

(6) Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 116,125			116,125
Total capital assets not being depreciated	116,125	-	-	116,125
Capital assets being depreciated:				
Buildings	6,537,052			6,537,052
Improvements other than buildings	206,906			206,906
Furniture and equipment	1,372,587	208,101	197,183	1,383,505
Total capital assets being depreciated	8,116,545	208,101	197,183	8,127,463
Less accumulated depreciation for:				
Buildings	2,082,079	132,685		2,214,764
Improvements other than buildings	132,107	4,890		136,997
Furniture and equipment	1,153,045	65,214	194,513	1,023,746
Total accumulated depreciation	3,367,231	202,789	194,513	3,375,507
Total capital assets being depreciated, net	4,749,314	5,312	2,670	4,751,956
Governmental activities capital assets, net	\$ 4,865,439	5,312	2,670	4,868,081
<b>Business type activities:</b>				
Furniture and equipment	\$ 159,200	-	-	159,200
Less accumulated depreciation	140,417	2,991		143,408
Business type activities capital assets, net	\$ 18,783	(2,991)	-	15,792

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 57,729
Special	24,054
Other	27,261

Support services:

Student services	17,639
Instructional staff	33,675
Administration	3,862
Operation and maintenance of plant	2,582
Transportation	35,987
	202,789

Unallocated depreciation

Total governmental activities depreciation expense	\$ 202,789
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Business type activities:

Food services	\$ 2,991
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LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**(7) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 2,715,000	-	120,000	2,595,000	125,000
Early retirement	-	42,225	-	42,225	21,113
	<u>\$ 2,715,000</u>	<u>42,225</u>	<u>120,000</u>	<u>2,637,225</u>	<u>146,113</u>

General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year ending June 30,	Principal	Interest	Total
2007	\$ 125,000	117,292	242,292
2008	130,000	111,980	241,980
2009	135,000	106,455	241,455
2010	140,000	100,718	240,718
2011	145,000	94,768	239,768
2012	150,000	88,605	238,605
2013	160,000	82,230	242,230
2014	170,000	75,350	245,350
2015	175,000	67,870	242,870
2016	185,000	59,995	244,995
2017	195,000	51,485	246,485
2018	205,000	42,515	247,515
2019	215,000	32,880	247,880
2020	225,000	22,560	247,560
2021	240,000	11,760	251,760
Total	<u>\$ 2,595,000</u>	<u>1,066,463</u>	<u>3,661,463</u>

**(8) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$135,395, \$129,628, and \$130,812, respectively, equal to the required contributions for each year.

LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**(9) Termination Benefits**

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least twenty years of continuous service to the District and must have reached the age of fifty-five on or before August 1 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits are calculated as the difference between the employee's current salary exclusive of all supplemental or extended year pay and \$23,000. In addition, employees separating under this policy will be paid for accrued sick leave at the rate of 1/10 of their per diem pay per day of accumulated, unused sick leave, to a maximum of 120 days.

The employee shall receive their total benefit in two equal payments, with the first payment in July of the year of separation and the second in July of the year following separation from the District. At June 30, 2006, the District had obligations to four participants with a total liability of \$42,225.

**(10) Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$147,838 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(12) Restatements**

Total beginning net assets of governmental activities were reduced by \$705,893 due to a restatement in the value of capital assets net of accumulated depreciation. Total beginning net assets of business type activities were increased by \$18,783 due to a reallocation of capital assets net of accumulated depreciation from governmental activities to business type activities.

### **Required Supplementary Information**

LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL  
FUNDS AND PROPRIETARY FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended June 30, 2006

	Governmental Fund Types- Actual	Proprietary Fund Type- Actual	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 3,040,156	165,017	3,205,173	3,168,734	3,168,734	36,439
State sources	2,210,113	2,793	2,212,906	2,049,617	2,049,617	163,289
Federal sources	74,985	41,966	116,951	180,925	180,925	(63,974)
Total revenues	5,325,254	209,776	5,535,030	5,399,276	5,399,276	135,754
Expenditures:						
Instruction	3,031,122	-	3,031,122	3,465,680	3,465,680	434,558
Support services	1,303,451	-	1,303,451	1,449,400	1,300,000	(3,451)
Noninstructional programs	728	196,142	196,870	200,000	1,300,000	1,103,130
Other expenditures	1,321,146	-	1,321,146	1,002,847	1,002,847	(318,299)
Total expenditures	5,656,447	196,142	5,852,589	6,117,927	7,068,527	1,215,938
Excess (deficiency) of revenues over (under) expenditures	(331,193)	13,634	(317,559)	(718,651)	(1,669,251)	1,351,692
Other financing sources, net	4,010	-	4,010	2,000	2,000	2,010
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(327,183)	13,634	(313,549)	(716,651)	(1,667,251)	1,353,702
Balances beginning of year, as restated	1,374,090	32,502	1,406,592	1,231,700	1,231,700	174,892
Balances end of year	\$ 1,046,907	46,136	1,093,043	515,049	(435,551)	1,528,594

See accompanying independent auditor's report.

LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION  
REQUIRED SUPPLEMENTARY INFORMATION  
Year ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 5,325,254	(205,913)	5,119,341
Expenditures	5,656,447	(155,501)	5,500,946
Net	(331,193)	(50,412)	(381,605)
Other financing sources	4,010	-	4,010
Beginning fund balances	1,374,090	(231,735)	1,142,355
Ending fund balances	\$ 1,046,907	(282,147)	764,760

	Proprietary Funds		
	Enterprise		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 209,776	19,176	228,952
Expenses	196,142	17,705	213,847
Net	13,634	1,471	15,105
Other financing sources	-	-	-
Beginning net assets, as restated	32,502	16,262	48,764
Ending net assets	\$ 46,136	17,733	63,869

See accompanying independent auditor's report.

LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
Year ended June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a cash basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$950,600.

During the year ended June 30, 2006, disbursements in the support services and other expenditures functions exceeded the amounts budgeted.



## **Other Supplementary Information**

LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 June 30, 2006

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
<b>Assets</b>				
Cash and pooled investments	\$ 74,816	103,663	11,312	189,791
Receivables:				
Property tax:				
Current year delinquent	597	-	892	1,489
Succeeding year	55,000	-	94,362	149,362
Accounts	-	3,237	-	3,237
<b>Total assets</b>	<b>\$ 130,413</b>	<b>106,900</b>	<b>106,566</b>	<b>343,879</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts Payable	\$ -	4,189	25,195	29,384
Early retirement payable	21,113	-	-	21,113
Deferred revenue:				
Succeeding year property tax	55,000	-	94,362	149,362
Total liabilities	76,113	4,189	119,557	199,859
Fund equity:				
Unreserved, undesignated fund balance	54,300	102,711	(12,991)	144,020
<b>Total liabilities and fund equity</b>	<b>\$ 130,413</b>	<b>106,900</b>	<b>106,566</b>	<b>343,879</b>

See accompanying independent auditor's report.

## Schedule 2

LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 Year ended June 30, 2006

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 64,543	-	139,125	203,668
Other	3,894	293,354	1,169	298,417
State sources:	32	-	50	82
Total revenues	68,469	293,354	140,344	502,167
Expenditures:				
Current:				
Instruction:				
Regular instruction	53,821	-	21,360	75,181
Other instruction	-	284,554	-	284,554
Support Services:				
Student services	551	-	-	551
Instructional staff services	558	-	-	558
Administration services	3,149	-	-	3,149
Operation and maintenance of plant services	32,986	-	4,655	37,641
Transportation services	3,181	-	65,014	68,195
Non-instructional program	728	-	-	728
Other expenditures:				
Facilities acquisition	-	-	151,286	151,286
Total expenditures	94,974	284,554	242,315	621,843
Excess (deficiency) of revenues over (under) expenditures	(26,505)	8,800	(101,971)	(119,676)
Fund balance beginning of year	80,805	93,911	88,980	263,696
Fund balance end of year	\$ 54,300	102,711	(12,991)	144,020

See accompanying independent auditor's report.

## Schedule 3

## LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT

## SCHEDULE OF CHANGES IN SPECIAL REVENUE FUNDS, STUDENT ACTIVITY ACCOUNTS

Year ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Athletic Booster Club	\$ 23,112	33,768	42,769	14,111
Drill Team	235	1,373	1,432	176
ITED Incentives	1,209	3,875	2,342	2,742
Weightlifting	1,280	1,685	2,460	505
Instrumental Concerts	-	160	160	-
Instrumental Resale	794	1,676	1,760	710
Vocal Concerts	-	31	31	-
Music Booster Club	3,324	19,113	11,260	11,177
Music Boosters Uniforms	9,371	8,407	16,867	911
Academic Booster Club	2,576	15,483	13,570	4,489
High School Annual	675	20,019	11,631	9,063
Junior High Annual	2,865	2,503	2,035	3,333
Speech and Drama	-	2,080	2,080	-
Cheerleaders	409	1,639	1,152	896
Co-Ed Athletics	9,771	2,120	11,791	100
Basketball	25,425	11,622	36,497	550
Football	6,892	12,237	17,529	1,600
Baseball	(16,476)	3,913	(12,563)	-
Track / Cross Country	(10,995)	2,213	(8,782)	-
Golf	(3,688)	2,484	(1,554)	350
Wrestling	(1,632)	2,269	637	-
Volleyball	4,608	7,377	10,985	1,000
Softball	(14,025)	3,197	(10,828)	-
F.C.A.	-	1,100	785	315
F.F.A.	8,631	21,713	24,977	5,367
National Honor Society	844	1,637	2,049	432
High School Student Council	7,818	9,779	9,578	8,019
Junior High Student Council	1,655	22,984	16,458	8,181
Class of 2005	272	-	272	-
Class of 2006	5,901	6,447	11,732	616
Class of 2007	7,035	8,952	9,935	6,052
Class of 2008	1,823	7,729	5,565	3,987
Class of 2009	-	3,805	2,057	1,748
Spanish Club	116	1,444	1,425	135
Science Club	2,187	-	1,855	332
Padlocks	187	563	503	247
Activity Card	53	1,800	1,666	187
Interest	205	1,145	90	1,260
After Prom Party	94	16,159	16,022	231
Math Club	2,027	6,909	6,750	2,186

## Schedule 3

## LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUNDS, STUDENT ACTIVITY ACCOUNTS  
Year ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Eighth Grade Banquet	-	1,456	1,388	68
Athletic Booster - LL and Soccer	4,760	6,622	5,910	5,472
Art Club	870	7,344	7,375	839
Drama - Middle School	443	282	419	306
Hawk Talk	2,613	5,590	3,597	4,606
Jazz Band	647	650	885	412
Totals	\$ 93,911	293,354	284,554	102,711

See accompanying independent auditor's report.

LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	2006	2005	2004	2003	2002
Revenues:					
Local sources:					
Local tax	\$ 1,946,651	1,601,563	1,724,141	1,834,207	1,605,992
Tuition	270,715	254,227	234,372	229,776	213,400
Other	642,764	812,954	677,403	357,558	367,557
Intermediate sources	-	-	-	4,151	6,770
State sources	2,145,914	1,847,808	1,780,259	1,777,670	1,724,070
Federal sources	113,297	148,122	118,072	136,851	63,660
Total	<u>\$ 5,119,341</u>	<u>4,664,674</u>	<u>4,534,247</u>	<u>4,340,213</u>	<u>\$ 3,981,449</u>
Expenditures:					
Instruction:					
Regular instruction	\$ 1,708,092	1,588,743	1,608,616	1,515,256	1,450,933
Special instruction	766,259	628,435	553,353	501,199	363,015
Other instruction	401,269	707,540	605,766	521,873	621,942
Support services:					
Student services	75,984	76,611	74,035	130,227	100,841
Instructional staff services	110,692	91,545	85,689	82,792	100,881
Administration services	490,049	484,750	475,768	483,767	481,490
Operation and maintenance of plant services	313,949	292,393	303,195	279,515	257,586
Transportation services	312,777	216,996	264,851	203,201	251,563
Non-instructional programs	728	1,304	5,960	2,097	1,822
Other expenditures:					
Facilities acquisition	930,616	133,660	644,711	2,440,074	205,878
Long-term debt:					
Principal	120,000	115,000	110,000	60,000	25,000
Interest and other charges	122,693	127,580	132,255	179,490	31,250
AEA flowthrough	147,838	139,489	141,990	153,505	151,184
Total	<u>\$ 5,500,946</u>	<u>4,604,046</u>	<u>5,006,189</u>	<u>6,552,996</u>	<u>4,043,385</u>

See accompanying independent auditor's report.

**Van Maanen  
& ASSOCIATES, P.C.**

**Certified Public Accountants**

705 Main St.  
Pella, IA 50219  
641-628-3737

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of  
Lynnville-Sully Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Lynnville-Sully Community School District, Lynnville-Sully, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents and have issued our report thereon dated October 11, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lynnville-Sully Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-06 is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Lynnville-Sully Community School District and other parties to whom the District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Lynnville-Sully Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Van Maanen & Associates, P.C.*

Van Maanen & Associates, P.C.  
Certified Public Accountants

October 11, 2006



LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year ended June 30, 2006

**Part I: Summary of the Independent Auditor's Results**

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**REPORTABLE CONDITIONS**

II-A-06 Segregation of Duties – The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure adequate internal control. This is not unusual in school Districts of your size, but the Board should constantly be aware of this condition and realize that concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in the Board's knowledge of matters relating to the District's operations.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to investigate alternatives to this problem.

Conclusion - Response accepted.

**Part III: Other Findings Related to Statutory Reporting:**

III-A-06 Certified Budget - Disbursements for the year ended June 30, 2006, exceeded the certified budget amount in the support services and other expenditures functional areas.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa Before disbursements were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

III-B-06 Questionable Disbursements - No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

III-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year ended June 30, 2006

- III-D-06 Business Transactions – No business transactions between the District and District officials or employees were noted.
- III-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- III-F-06 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- III-G-06 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- III-H-06 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- III-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- III-J-06 Deficit Balances – The Capital Projects fund and PPEL fund had deficit balances at June 30, 2006.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return these funds to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate deficits in these funds at the end of the fiscal year.

Conclusion – Response accepted.